buckconsultants A Xerox Company

October 25, 2011

Ms. Helen Kemp
Assistant Director, Division Counsel
Municipal Employees Retirement System
Office of the State Comptroller
55 Elm Street
Hartford, CT 06106

Dear Ms. Kemp:

As you are aware, under the terms of the current contract between the Municipal Employees Retirement System (MERS) and Buck Consultants, actuarial valuations are to be performed on a biennial basis, with the next full valuation scheduled as of July 1, 2012. In lieu of a full valuation as of July 1, 2011, the contract calls for Buck to roll forward the liabilities from the previous year, and using updated asset information determine the funding requirements and the funded status of the System. Unless otherwise noted, all roll forward calculations were based on the same membership data, provisions, actuarial assumptions and methods as those used in the July 1, 2010 valuation.

MERS staff provided us with updated asset information for the fiscal year that ended June 30, 2011. Reviewing this information shows an investment return of 17.65% on a market value basis and a return of 7.51% on an actuarial value basis. Based on our rolled forward calculations, we have determined that MERS still has an overall unfunded accrued liability as the accrued liabilities exceed the sum of the valuation assets and the present value of future amortization payments. The unfunded accrued liability was approximately $187.40 million last year and we have calculated the unfunded accrued liability to be approximately $204.70 million this year. The funded percentage of the System, calculated as the valuation assets divided by the accrued liability, is 88.32% as of June 30, 2011, as compared to 88.40% as of June 30, 2010.

The table below summarizes the employer contribution requirements as compared to last year.

	2012-2013 Fiscal Year			2011- 2012 Fiscal Year			Change
	Employer Normal Cost Rate	Amortization of Net Unfunded Accrued Liability	Total Employer Contribution Rate	Employer Normal Cost Rate	Amortization of Net Unfunded Accrued Liability	Total Employer Contribution Rate	Total Employer Contribution Rate
General Employees:							
With Social Security	7.61%	4.18%	11.79%	7.61%	3.95%	11.56%	0.23%
Without Social Security	7.85%	3.88%	11.73%	7.85%	3.55%	11.40%	0.33%
Police and Fire:							
With Social Security	11.26%	5.39%	16.65%	11.26%	5.11%	16.37%	0.28%
Without Social Security	10.40%	5.10%	15.50%	10.40%	4.90%	15.30%	0.20%

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In addition to the contribution rates shown above, the municipalities must also contribute the amortization payments toward their Unfunded Accrued Liability that was established upon their joining MERS.

Additional exhibits that summarize the main results of the roll forward are attached. We look forward to discussing these results with you and the Sub-Committee.

We are both Members of the American Academy of Actuaries and meet the Academy's Qualification Standards to issue this Statement of Actuarial Opinion. The valuation roll forward was prepared in accordance with the principles of practice prescribed by the Actuarial Standards Board. The actuarial calculations were performed under the supervision of qualified actuaries according to generally accepted actuarial procedures and methods. The calculations are based on the current provisions of the System, and on actuarial assumptions that are, in the aggregate, internally consistent and reasonably based on the actual experience of the System.

Respectfully submitted,

Philip Bonanno, ASA, EA, MAAA, FCA	Janet H. Cranna, FSA, EA, MAAA, FCA
Director, Consulting Actuary	Principal, Consulting Actuary

PB/JC/az
Enclosure
CT MERS - Roll Forward Val Results - 6.30.2011.doc

cc: Ms. Kathryn Balut

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

Valuation Date June 30:	2007	2008	2009	2010	2011
A. Actuarial Value Beginning of Year	$ 1,587,659,815	$ 1,700,682,361	$ 1,779,098,599	$ 1,618,566,498	$ 1,662,583,369
B. Market Value Beginning of Year	1,509,066,613	1,729,338,367	1,632,013,825	1,348,805,415	1,479,238,562
C. Cash Flow					
C1. Contributions	52,502,128	56,453,606	50,730,968	53,095,460	67,179,955
C2. Transfers	0	0	0	0	0
C3. Benefit Payments	(80,408,641)	(84,626,814)	(90,530,711)	(95,043,756)	(100,048,396)
C4. Net	(27,906,513)	(28,173,208)	(39,799,743)	(41,948,296)	(32,868,441)
D. Investment Income					
D1. Market Return	248,178,267	(69,151,334)	(243,408,667)	172,381,443	258,196,761
D2. Expected Actuarial Return	133,765,057	143,360,639	145,133,895	131,801,369	135,807,305
E. Expected Actuarial Value End of Year	1,693,518,359	1,815,869,792	1,884,432,751	1,708,419,571	1,765,522,233
F. Market Value End of Year (including receivables)	1,729,338,367	1,632,013,825	1,348,805,415	1,479,238,562	1,704,566,882
G. Phased-In Recognition of Investment Income					
G1. Difference between Market and Expected Actuarial Value	35,820,008	(183,855,967)	(535,627,336)	(229,181,009)	(60,955,351)
G2. 20% of Difference (0.2 * G1)	7,164,002	(36,771,193)	(107,125,467)	(45,836,202)	(12,191,070)
G3. Preliminary Actuarial Value End of Year	1,700,682,361	1,779,098,599	1,777,307,284	1,662,583,369	1,753,331,163
G4. Minimum = 80% of Market Value (0.8 * F)	1,383,470,694	1,305,611,060	1,079,044,332	1,183,390,850	1,363,653,506
G5. Maximum = 120% of Market Value (1.2 * F)	2,075,206,040	1,958,416,590	1,618,566,498	1,775,086,274	2,045,480,258
G6. Actuarial Value End of Year (G3, subject to G4 & G5)	$ 1,700,682,361	$ 1,779,098,599	$ 1,618,566,498	$ 1,662,583,369	$ 1,753,331,163
H. Difference Between Market and Actuarial Values	$ 28,656,006	$ (147,084,774)	$ (269,761,083)	$ (183,344,807)	$ (48,764,281)
I. Recognized Rate of Return	8.96%	6.32%	(6.86)%	5.38%	7.51%
J. Market Value Rate of Return	16.60%	(4.03)%	(15.10)%	12.98%	17.65%

The Actuarial Value of Assets recognizes expected investment income (line D2) along with 20% of its difference (gain/loss) with the market return (line D1) in the valuation year, in addition to 20% of any prior years' unrecognized gains/losses. During periods when investment performance exceeds the assumed rate, Actuarial Value of Assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, Actuarial Value of Assets will tend to be greater than market value.

SUMMARY OF NET UNFUNDED ACCRUED LIABILITY

		General Employees with Social Security		General Employees without Social Security		Police and Fire with Social Security		Police and Fire without Social Security		Total	
		July 1, 2011	July 1, 2010	July 1, 2011	July 1, 2010	July 1, 2011	July 1, 2010	July 1, 2011	July 1, 2010	July 1, 2011	July 1, 2010
a)	Total Accrued Liability	$ 814,930,706	$ 772,811,460	$ 697,993,512	$ 666,669,200	$ 167,594,524	$ 157,918,266	$ 304,749,165	$ 283,265,626	$ 1,985,267,907	$ 1,880,664,552
b)	Actuarial Value of Assets	705,272,116	669,286,488	643,407,656	617,862,410	141,476,301	132,496,472	263,175,090	242,937,999	1,753,331,163	1,662,583,369
c)	Total Net Unfunded Accrued Liability [c = a - b]	$ 109,658,590	$ 103,524,972	$ 54,585,856	$ 48,806,790	$ 26,118,223	$ 25,421,794	$ 41,574,075	$ 40,327,627	$ 231,936,744	$ 218,081,183
d)	Present Value of Remaining Prior Service Amortization Payments	14,978,189	16,380,385	1,006,847	1,114,838	6,089,039	6,933,365	5,163,772	6,249,454	27,237,847	30,678,042
e)	Net Unfunded Accrued Liability [e = c - d]	$ 94,680,401	$ 87,144,587	$ 53,579,009	$ 47,691,952	$ 20,029,184	$ 18,488,429	$ 36,410,303	$ 34,078,173	$ 204,698,897	$ 187,403,141

SUMMARY OF TOTAL EMPLOYER CONTRIBUTION RATES

	2012-2013 Fiscal Year			2011-2012 Fiscal Year			Change
	Employer Normal Cost Rate	Amortization of Net Unfunded Accrued Liability	Total Employer Contribution Rate	Employer Normal Cost Rate	Amortization of Net Unfunded Accrued Liability	Total Employer Contribution Rate	Total Employer Contribution Rate
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Notes:

UAL amortization over a closed 30-year period, effective July 1, 2009, on a level dollar basis divided by projected payroll.

In addtion to the above contribution percentages, the municipalities are also responsible for the amortization payments toward their UAL established upon their joining MERS.